

JOHNSON COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

JUNE 30, 2013

JOHNSON COUNTY, IOWA

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JOHNSON COUNTY, IOWA

OFFICIALS

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sally Stutsman	Board of Supervisors	December 2014
Janelle Rettig	Board of Supervisors	December 2014
Rod Sullivan	Board of Supervisors	December 2012
Pat Harney	Board of Supervisors	December 2012
Terrence Neuzil	Board of Supervisors	December 2012
Tom Slockett	County Auditor	December 2012
Tom Kriz	County Treasurer	December 2014
Kim Painter	County Recorder	December 2014
Lonny Pulkrabek	County Sheriff	December 2012
Janet Lyness	County Attorney	December 2014
Bill Greazel	County Assessor	Appointed
Dennis Baldridge	City Assessor	Appointed

(After January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Etheredege	Board of Supervisors	December 2014
Janelle Rettig	Board of Supervisors	December 2014
Rod Sullivan	Board of Supervisors	December 2016
Pat Harney	Board of Supervisors	December 2016
Terrence Neuzil	Board of Supervisors	December 2016
Travis Weipert	County Auditor	December 2016
Tom Kriz	County Treasurer	December 2014
Kim Painter	County Recorder	December 2014
Lonny Pulkrabek	County Sheriff	December 2016
Janet Lyness	County Attorney	December 2014
Bill Greazel	County Assessor	Appointed
Dennis Baldridge	City Assessor	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Officials of Johnson County, Iowa:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Johnson County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Johnson County, Iowa at June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Johnson County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2008 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2014 on our consideration of Johnson County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Johnson County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 20, 2014

Johnson County, Iowa

Management's Discussion and Analysis (MD&A)

June 30, 2013

Johnson County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$104,366,125 at June 30, 2013. This was an increase of \$10,991,758 (11.8%) compared to the prior fiscal year.
- ❑ Overall revenues of governmental activities decreased 6.1% or \$4,594,758 from fiscal year 2012. Property tax increased \$954,173, operating grants, contributions and restricted interest decreased \$8,606,503, charges for services increased \$2,071,041, miscellaneous revenues decreased \$1,053,652, and capital grants, contributions and restricted interest increased \$2,424,780.
- ❑ Program expenses decreased 8.0% overall, or \$5,160,800 from fiscal year 2012. Public safety and legal services increased \$318,945, physical health and social services increased \$537,603, mental health expenses decreased \$6,492,438, county environment and education expenses increased \$114,621, roads and transportation expenses decreased \$168,465, governmental services to residents increased \$435,534, administration expense increased \$136,424, and interest expense on the County's long-term debt decreased by \$48,051.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and other information as follows:

- ❑ **Management's Discussion and Analysis** - Introduces the basic financial statements and provides an analytical overview of the County's activities.
- ❑ **Government-wide Financial Statements** - Comprise the first two statements, providing both short-term and long-term information about Johnson County's overall financial position.
- ❑ **Fund Financial Statements** - Focus on reporting how government services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail by providing information about the most significant funds. The remaining statements provide financial information activities for which Johnson County acts solely as an agent or custodian for the benefit of those outside of county government (agency funds).
- ❑ **Notes to Financial Statements** - provides additional information essential to a full understanding of the data provided in the basic financial statements.
- ❑ **Required Supplementary Information** - further explains and supports the financial statements with a comparison of the County's budget for the year and details of the County's funding progress of the retiree health plan.
- ❑ **Supplementary Information** - provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various Federal programs benefitting the County.

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements (Statement of Net Position and the Statement of Activities) report the County's net position and how it has changed. Net position, is the difference between assets and liabilities, and is one way to measure the County's financial health.

- ❑ Over time, increases or decreases in the County's net position may serve as an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in population, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the County include governmental activities such as public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long term debt, and non-program activities. Most of the County's basic services are included here, such as the Sheriff, County Attorney, Recorder, Treasurer, Auditor, Board of Supervisors, Ambulance, Public Health, Medical Examiner, Paratransit Services (SEATS), Planning & Zoning, Conservation, Human Services, Veteran Affairs, Juvenile Court Services, Mental Health/Developmental Services, rural funding to libraries, Secondary Roads, and Court Services. Property Taxes and state and federal grants fund most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law. The Board of Supervisors establishes other funds to control and manage money for particular purposes or to show that the County is meeting legal responsibilities for using certain revenues. The County has three kinds of funds:

- ❑ Governmental funds – Most of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future use. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental fund statements that explains the relationship (or differences) between them. Funds included are the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds (Rural Services, Mental Health Fund, Secondary Roads Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.
- ❑ Fiduciary funds – The County is the trustee, or fiduciary, for assets that belong to others. Fiduciary funds for Johnson County include the E-911 Fund, the Empowerment Fund, The Iowa City & Johnson County Assessor Funds, and the Emergency Management Fund. The County is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities and a statement of changes in fiduciary assets and liabilities. We exclude these activities from the County-wide financial statements because the County cannot use the assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.
- ❑ Proprietary funds – The County has an internal service fund set up for the administration of its self-funded employee health insurance plans. Funds are paid into the health insurance fund from other county funds for payment of premiums, claims and administration costs. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The required statements include a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

FINANCIAL ANALYSIS OF JOHNSON COUNTY -- Net Assets

The County's combined net position increased from \$93,374,367 to \$104,366,125. See Table 1. Analysis will focus on changes in net position for governmental activities.

Table 1:

Net Position

	Governmental Activities		Total Percentage
	2013	2012	Change 2013-2012
Assets			
Current Assets	\$ 85,820,157	\$ 76,307,356	12.5 %
Capital Assets, Net of Accumulated Depreciation	<u>89,868,929</u>	<u>86,401,882</u>	4.0
TOTAL ASSETS	175,689,086	162,709,238	8.0
Liabilities			
Current Liabilities	50,988,316	50,165,542	1.6
Long Term Liabilities	<u>20,334,645</u>	<u>19,169,329</u>	6.1
TOTAL LIABILITIES	71,322,961	69,334,871	2.9
Net Position			
Net Investment in Capital Assets	74,178,929	71,665,882	3.5
Restricted	24,635,844	17,119,728	43.9
Unrestricted	<u>5,551,352</u>	<u>4,588,757</u>	21.0
TOTAL NET POSITION	\$ <u>104,366,125</u>	\$ <u>93,374,367</u>	11.8

Changes in Net Position

The total net position of governmental activities increased by 11.8% compared to fiscal year 2012. The increase in long-term liabilities with a corresponding increase in restricted net position reflects cash set aside for various capital projects budgeted by the County and a desire to maintain adequate cash levels for future emergencies or important initiatives. This also reflects the County's increased use of short-term debt to finance the County's operations and capital projects. The largest portion of the County's net position are invested in capital assets (land, buildings, equipment), net of related debt. The debt related to investment in capital assets is liquidated with sources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets increased from \$4,588,757 in fiscal year 2012 to \$5,551,352 in fiscal year 2013, an increase of 21.0%.

Table 2:

Changes in Net Position

	Governmental Activities		Total Percentage
	2013	2012	Change 2013-2012
Revenues			
Program Revenues			
Charges for Services	\$ 8,168,918	\$ 6,097,877	34.0 %
Operating Grants, Contributions and Restricted Interest	12,840,306	21,446,809	(40.1)
Capital Grants, Contributions and Restricted Interest	4,462,371	2,037,591	119.0
Property and other taxes levied for:			
General Purpose	38,998,515	39,176,958	(0.5)
Debt Service	4,062,367	2,929,751	38.7
Other County Taxes	932,776	962,913	(3.1)
Penalties and Interest on Taxes	344,982	575,376	(40.0)
State tax credits	823,125	677,451	21.5
Unrestricted investment earnings	263,505	269,894	(2.4)
Gain (loss) on disposal of capital assets	(276,882)	(13,531)	(1,946.3)
Miscellaneous	109,543	1,163,195	(90.6)
TOTAL REVENUES	70,729,526	75,324,284	(6.1)
Expenditures			
Public Safety and Legal Services	20,188,789	19,869,844	1.6
Physical Health and Social Services	8,630,946	8,093,343	6.6
Mental Health, MR & DD	6,484,037	12,976,475	(50.0)
County Environment and Education	3,526,150	3,411,529	3.4
Roads & Transportation	10,141,639	10,310,104	(1.6)
Governmental Services to Residents	2,492,299	2,056,765	21.2
Administration	7,780,572	7,644,148	1.8
Nonprogram Current	5,027	-	N/A
Interest on long-term debt	488,309	536,360	(9.0)
TOTAL EXPENDITURES	59,737,768	64,898,568	(8.0)
INCREASE/(DECREASE) IN NET POSITION	10,991,758	10,425,716	5.4
Beginning,	93,374,367	82,948,651	12.6
Ending	\$ 104,366,125	\$ 93,374,367	11.8

The County increased property taxes levied for 2013 by 2.3%. This increase raised the County's property tax revenue by approximately \$954,000. Based on increases in the tax levies and total assessed valuation, property tax revenue is budgeted to increase by an additional \$2.4 million for fiscal year 2014.

The cost of all government services this year was \$59,737,768 compared to \$64,898,568 last year. The amount financed by taxpayers was \$34,266,173 (See Statement of Activities). Some of the cost was paid for by those who benefited from programs or other government grants and contributions. The County's program revenues decreased from \$29,582,277 to \$25,471,595 due to decreases in operating grants and contributions and the revenue losses from the regionalization of mental health services.

MAJOR FUND ANALYSIS

Governmental funds reported a combined fund balance of \$30,463,426 an increase of \$8,149,295 compared to the prior year.

- General Fund revenues had an overall increase of \$769,048 due largely to an increase of intergovernmental revenue of \$684,694, an increase in licenses & permits of \$97,662, an increase in charges for services of \$81,675 and an increase in miscellaneous revenues of \$513,802. These revenue increases were offset by decreases in property tax revenue of \$393,918 and interest and penalty revenue of \$219,748. Total General Fund expenditures increased \$1,555,429 due largely to an increase in public safety and legal services of \$286,490, an increase in physical health & social services expenses of \$302,887 and increase in governmental services expenses of \$468,932 and an increase in administration expenses of \$337,326.
- Rural Services Fund revenues increased by \$153,975, as a result of an increase in property tax revenue of \$133,354, and an increase in intergovernmental revenue of \$20,621. Expenditures increased \$52,392 and the transfer out to Secondary Roads increased \$228,246 compared to the prior year. The ending fund balance showed a decrease of \$22,499 from the prior year to \$176,216.
- Secondary Roads Fund revenues increased by \$1,597,926 compared to the prior year. Expenditures decreased in the Secondary Roads Fund by \$584,476 due to a decrease in capital projects of \$1,727,601, and an increase in roads & transportation expenses of \$1,143,125.
- Mental Health Fund revenues decreased by \$9,125,419 from the prior year, due largely to an decrease in intergovernmental revenue of \$9,143,533. Expenditures decreased by \$6,579,943 compared to the prior year entirely due to a direct decrease in the County's mental health expenses as certain functional expenses were shifted to the State. The Mental Health fund balance decreased \$564,000 in 2013.
- Capital Projects Fund revenues and net cash transfers in increased by \$3,216,605 and expenditures decreased by \$11,971. During the year the fund balance increased from \$7,767,675 to \$14,150,607 at the fiscal year's end. The revenues and expenditures of this class of fund vary depending on the timing of projects.
- Debt Service Fund revenues increased by \$1,178,253 due to additional property tax revenue of \$1,151,064. Expenditures increased by \$607,616 due to additional principal payments of \$650,000. The ending fund balance increased \$110,895 to \$376,280.

General Fund Budgetary Highlights

Johnson County amended the budget two times during the fiscal year. The first amendment occurred in November 2012 and was necessary due to block grant reallocations, increased activity in institutional accounts, a budgetary decrease in the County Attorney's budget and a public health program increase and an increase in the Recorder's records management. The second amendment occurred in May 2013 due to road maintenance and public health programming changes, an increase to the County Attorney's legal services budget, an increase in the Treasurer's administrative budget, another increase to institutional accounts and an increase to the Auditor's elections budget.

Amendment and other budgetary information is available in the County Auditor's Office.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For fiscal year 2013 the County had a net increase of \$3,467,047 in a broad range of capital assets, including land, equipment, vehicles, and infrastructure. Significant expenditures were related to Secondary Roads infrastructure projects, recreational trails, Sutliff Bridge and the beginning stages of the Mehaffey Bridge replacement. See Table 3. More detailed information about the County's capital assets is presented in the notes to the financial statements.

Table 3

Capital Assets

	Value of Capital Assets		Total Percentage
	2013	2012	Change 2013-2012
Non-Depreciated			
Land	\$ 12,707,628	\$ 12,770,898	(0.5) %
Construction in Progress	<u>8,709,739</u>	<u>12,149,801</u>	(28.3)
Total Not Being Depreciated	21,417,367	24,920,699	(14.1)
Depreciable			
Buildings & Improvements	39,742,086	38,241,424	3.9
Machinery and Equipment	14,250,702	14,241,701	0.1
Infrastructure	<u>67,904,042</u>	<u>59,598,105</u>	13.9
Total Depreciable Assets	121,896,830	112,081,230	8.8
Total Accumulated Depreciation	<u>53,445,268</u>	<u>50,600,047</u>	5.6
NET CAPITAL ASSETS	\$ <u>89,868,929</u>	\$ <u>86,401,882</u>	4.0

The County had depreciation expense of \$4,156,132 in fiscal year 2013 and total accumulated depreciation of \$53,445,268 on June 30, 2013.

The County's fiscal year 2014 budget projects spending of \$13,736,476 for the Mehaffey Bridge replacement, Mehaffey Bridge Road improvements, other Secondary Roads projects, technology and equipment acquisitions and replacement of the Secondary Roads facility that was damaged in a fire event in March 2013. The County annually completes a Five Year Road Plan and Capital Improvement Plan (CIP). Both can be viewed by contacting management or are available on the County's web site www.johnson-county.com.

Long-Term Liabilities

At year end, the County had \$20,334,645 in long-term liabilities, consisting of general obligation capital notes, compensated absences and net OPEB liability (Table 4). In 2013, the County issued \$5,000,000 in new general obligation capital loan notes and retired \$4,046,000. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

Table 4

Long-Term Liabilities

	Total Year End Fiscal Year		Total Percentage
	Long-Term Liabilities		Change
	2013	2012	2013-2012
General Obligation Capital Notes	\$ 15,690,000	\$ 14,736,000	6.5%
Compensated Absences	2,901,491	2,796,417	3.8
Net OPEB Liability	<u>1,743,154</u>	<u>1,636,912</u>	6.5
TOTAL LONG TERM LIABILITIES	\$ <u>20,334,645</u>	\$ <u>19,169,329</u>	6.1

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the County was aware of several circumstances that could affect its future financial health:

- ❑ Johnson County is one of the fastest-growing counties in Iowa. Johnson County's population grew from 130,882 residents in 2010 to an estimated 136,317 in 2012.
- ❑ Johnson County continues to enjoy a strong economy. Johnson County's unemployment rate of 3.4% is the second lowest in the State of Iowa.
- ❑ Johnson County's taxable valuation growth of 4.1% for the FY15 budget year is an indication of the County's overall economic stability and continuing financial viability.
- ❑ Recent legislative changes in the taxation of commercial property will likely cause a significant shift of the property tax burden from commercial properties to residential properties and will present an ongoing challenge to local governmental funding.
- ❑ The use of tax increment financing (TIF) by most cities in Johnson County continues to pose challenges to other local governments, including Johnson County. Johnson County has the ability to tax the incremental growth in the value of these TIF districts only through the use of the debt service levy, which the County has deliberately attempted to maximize to lower the tax impact on their County residential property owners.
- ❑ Reorganization of Mental Health and Disability Services from a county based system to a regional system as proposed by the State of Iowa could significantly impact the provision of services and how they are funded locally.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, stakeholders, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

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BASIC FINANCIAL STATEMENTS

JOHNSON COUNTY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash, cash equivalents and pooled investments	\$ 34,279,097
Receivables:	
Property tax:	
Delinquent	116,312
Succeeding year	46,423,424
Accounts	2,060,962
Accrued interest	198
Due from other governments	2,036,327
Inventories	243,395
Prepaid expenses	660,442
Land and construction in progress	21,417,367
Other capital assets, net of accumulated depreciation	<u>68,451,562</u>
Total assets	<u>175,689,086</u>
<u>LIABILITIES:</u>	
Accounts payable	3,074,390
Accrued interest payable	29,867
Salaries and benefits payable	577,661
Due to other governments	713,530
Contracts payable	131,341
Deferred revenue:	
Succeeding year property tax	46,423,424
Other	38,103
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	3,345,000
Compensated absences	2,901,491
Portion due or payable after one year:	
General obligation bonds	12,345,000
Net OPEB liability	<u>1,743,154</u>
Total liabilities	<u>71,322,961</u>
<u>NET POSITION:</u>	
Net investment in capital assets	74,178,929
Restricted for:	
Rural services purposes	176,216
Supplemental levy purposes	1,140,430
Secondary roads purposes	3,415,657
Mental health purposes	1,229,576
Capital projects	14,150,607
Debt Service	376,280
Other purposes	4,147,078
Unrestricted	<u>5,551,352</u>
Total net position	\$ <u>104,366,125</u>

See Notes to Financial Statements

JOHNSON COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety and legal services	\$ 20,188,789	\$ 2,984,302	\$ 946,026	\$ 37,810	\$ (16,220,651)
Physical health and social services	8,630,946	405,637	3,294,576	48,335	(4,882,398)
Mental health	6,484,037	91	3,112,273	-	(3,371,673)
County environment and education	3,526,150	459,684	132,323	1,341,663	(1,592,480)
Roads and transportation	10,141,639	86,068	5,190,670	3,034,563	(1,830,338)
Governmental services to residents	2,492,299	2,210,050	19,160	-	(263,089)
Administration	7,780,572	2,023,086	145,278	-	(5,612,208)
Non-program	5,027	-	-	-	(5,027)
Interest on long-term debt	488,309	-	-	-	(488,309)
Total	<u>\$ 59,737,768</u>	<u>\$ 8,168,918</u>	<u>\$ 12,840,306</u>	<u>\$ 4,462,371</u>	<u>(34,266,173)</u>
GENERAL REVENUES:					
Property and other County tax levied for:					
General purposes					38,998,515
Debt service					4,062,367
Other County taxes					932,776
Penalty and interest on property tax					344,982
State tax credits					823,125
Unrestricted investment earnings					263,505
Loss on disposal of capital assets					(276,882)
Miscellaneous					109,543
Total general revenues					<u>45,257,931</u>
CHANGE IN NET POSITION					10,991,758
NET POSITION - Beginning of year					<u>93,374,367</u>
NET POSITION - End of year					\$ 104,366,125

JOHNSON COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

		Special Revenue			
	General	Rural Services	Secondary Roads	Mental Health	
ASSETS					
Cash, cash equivalents and pooled investments	\$ 6,449,111	\$ 190,613	\$ 3,498,908	\$ 1,875,202	
Receivables:					
Property tax:					
Delinquent	96,872	10,656	-	3,991	
Succeeding year	27,776,143	4,527,215	-	3,085,560	
Accounts	1,147,456	-	14,315	15,627	
Accrued interest	-	-	-	-	
Due from other governments	1,427,313	-	387,249	212,911	
Inventories	-	-	243,395	-	
Prepaid expenses	380,248	-	16,041	1,273	
TOTAL ASSETS	\$ 37,277,143	\$ 4,728,484	\$ 4,159,908	\$ 5,194,564	
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 914,424	\$ -	\$ 540,628	\$ 370,590	
Salaries and benefits payable	471,966	983	58,422	46,290	
Contracts payable	-	-	131,341	-	
Due to other governments	187,663	14,364	1,126	457,559	
Deferred revenue:					
Succeeding year property tax	27,776,143	4,527,215	-	3,085,560	
Other	958,935	9,706	12,734	4,989	
Total liabilities	30,309,131	4,552,268	744,251	3,964,988	
FUND BALANCES:					
Nonspendable:					
Inventories	-	-	243,395	-	
Prepaid expenses	380,248	-	16,041	1,273	
Restricted for:					
Supplemental levy purposes	760,182	-	-	-	
Mental health purposes	-	-	-	1,228,303	
Rural services purposes	-	176,216	-	-	
Secondary roads purposes	-	-	3,156,221	-	
Debt Service	-	-	-	-	
Capital Projects	-	-	-	-	
Other purposes	-	-	-	-	
Committed	-	-	-	-	
Unassigned	5,827,582	-	-	-	
Total fund balances	6,968,012	176,216	3,415,657	1,229,576	
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,277,143	\$ 4,728,484	\$ 4,159,908	\$ 5,194,564	

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Debt Services</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 13,580,118	\$ 375,594	\$ 4,186,833	\$ 30,156,379
-	4,793	-	116,312
-	11,034,506	-	46,423,424
795,112	-	-	1,972,510
-	-	198	198
-	-	8,854	2,036,327
-	-	-	243,395
260,561	-	2,319	660,442
<u>\$ 14,635,791</u>	<u>\$ 11,414,893</u>	<u>\$ 4,198,204</u>	<u>\$ 81,608,987</u>
\$ 294,140	\$ -	\$ 51,126	\$ 2,170,908
-	-	-	577,661
-	-	-	131,341
52,818	-	-	713,530
-	11,034,506	-	46,423,424
138,226	4,107	-	1,128,697
<u>485,184</u>	<u>11,038,613</u>	<u>51,126</u>	<u>51,145,561</u>
-	-	-	243,395
260,561	-	2,319	660,442
-	-	-	760,182
-	-	-	1,228,303
-	-	-	176,216
-	-	-	3,156,221
-	376,280	-	376,280
10,650,147	-	-	10,650,147
-	-	735,553	735,553
3,239,899	-	-	3,239,899
-	-	3,409,206	9,236,788
<u>14,150,607</u>	<u>376,280</u>	<u>4,147,078</u>	<u>30,463,426</u>
<u>\$ 14,635,791</u>	<u>\$ 11,414,893</u>	<u>\$ 4,198,204</u>	<u>\$ 81,608,987</u>

JOHNSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

TOTAL GOVERNMENTAL FUND BALANCES \$ 30,463,426

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$143,314,197 and the accumulated depreciation is \$53,445,268.

Land	\$	12,707,628	
Construction in progress		8,709,739	
Infrastructure		37,040,225	
Buildings and improvements		28,208,333	
Furnishings and equipment		<u>3,203,004</u>	
Total capital assets, net			89,868,929

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 1,090,594

The Internal Service Fund is used by the County to charge the costs of partial self-funding of the County's health insurance benefit plan to the individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 3,307,688

Long-term liabilities, including bonds payable, accrued interest payable, compensated absences payable and Net OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.

General obligation bonds payable	\$	(15,690,000)	
Accrued interest on bonds		(29,867)	
Compensated absences		(2,901,491)	
Net OPEB liability		<u>(1,743,154)</u>	
Total long-term liabilities			<u>(20,364,512)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 104,366,125

JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

		<u>Special Revenue</u>		
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
<u>REVENUES:</u>				
Property and other County tax	\$ 32,762,862	\$ 4,002,098	\$ -	\$ 3,091,387
Interest and penalty on property tax	346,337	-	-	-
Intergovernmental	6,835,426	101,159	7,067,154	2,745,376
Licenses and permits	670,812	-	6,100	-
Charges for service	4,117,949	-	-	-
Use of money and property	241,537	-	675	-
Miscellaneous	1,070,626	-	67,516	19,094
Total revenues	<u>46,045,549</u>	<u>4,103,257</u>	<u>7,141,445</u>	<u>5,855,857</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	19,517,693	-	-	-
Physical health and social services	8,349,705	-	-	-
Mental health	-	-	-	6,419,857
County environment and education	2,732,563	797,510	-	-
Roads and transportation	-	-	8,735,455	-
Governmental services to residents	2,380,093	-	-	-
Administration	7,141,290	-	-	-
Non-program	3,160	-	-	-
Debt service:				
Principal	340,000	-	-	-
Interest	101,033	-	-	-
Capital projects	-	-	1,175,234	-
Total expenditures	<u>40,565,537</u>	<u>797,510</u>	<u>9,910,689</u>	<u>6,419,857</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,480,012</u>	<u>3,305,747</u>	<u>(2,769,244)</u>	<u>(564,000)</u>
Other financing sources (uses):				
Proceeds from long-term debt	5,000,000	-	-	-
Sale of capital assets	15,187	-	-	-
Operating transfers in	-	-	4,330,857	-
Operating transfers out	(9,666,426)	(3,328,246)	-	-
Total other financing sources (uses)	<u>(4,651,239)</u>	<u>(3,328,246)</u>	<u>4,330,857</u>	<u>-</u>
Change in fund balances	828,773	(22,499)	1,561,613	(564,000)
<u>FUND BALANCES - Beginning of year</u>	<u>6,139,239</u>	<u>198,715</u>	<u>1,854,044</u>	<u>1,793,576</u>
<u>FUND BALANCES - End of year</u>	<u>\$ 6,968,012</u>	<u>\$ 176,216</u>	<u>\$ 3,415,657</u>	<u>\$ 1,229,576</u>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 4,138,140	\$ -	\$ 43,994,487
-	-	-	346,337
1,042,002	69,038	141,071	18,001,226
-	-	-	676,912
-	-	37,428	4,155,377
16,679	-	15,232	274,123
1,053,813	-	21,925	2,232,974
<u>2,112,494</u>	<u>4,207,178</u>	<u>215,656</u>	<u>69,681,436</u>
-	-	133,711	19,651,404
-	-	-	8,349,705
-	-	-	6,419,857
-	-	-	3,530,073
-	-	-	8,735,455
-	-	70,591	2,450,684
-	-	-	7,141,290
-	-	-	3,160
-	3,706,000	-	4,046,000
-	390,283	-	491,316
<u>4,201,865</u>	<u>-</u>	<u>351,285</u>	<u>5,728,384</u>
<u>4,201,865</u>	<u>4,096,283</u>	<u>555,587</u>	<u>66,547,328</u>
<u>(2,089,371)</u>	<u>110,895</u>	<u>(339,931)</u>	<u>3,134,108</u>
-	-	-	5,000,000
-	-	-	15,187
8,549,957	-	191,512	13,072,326
(77,654)	-	-	(13,072,326)
<u>8,472,303</u>	<u>-</u>	<u>191,512</u>	<u>5,015,187</u>
6,382,932	110,895	(148,419)	8,149,295
<u>7,767,675</u>	<u>265,385</u>	<u>4,295,497</u>	<u>22,314,131</u>
\$ <u>14,150,607</u>	\$ <u>376,280</u>	\$ <u>4,147,078</u>	\$ <u>30,463,426</u>

JOHNSON COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 8,149,295

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays expenditures and contributed capital assets exceeded depreciation expense and loss on disposal of capital assets in the current year as follows:

Expenditures for capital assets	\$ 6,750,627	
Capital grants for capital assets	1,164,621	
Depreciation expense	(4,156,132)	
Loss on disposal of capital assets	<u>(292,069)</u>	
		3,467,047

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	\$ (5,000,000)	
Repaid	<u>4,046,000</u>	(954,000)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

160,351

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	\$ (105,074)	
Interest on long-term debt	3,007	
Net OPEB liability	<u>(106,242)</u>	
		(208,309)

The Internal Service Fund is used by the County to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

377,374

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 10,991,758

JOHNSON COUNTY, IOWA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

Internal Service -
 Employee Group
Health

CURRENT ASSETS:

Cash, cash equivalents and pooled investments

\$ 4,122,718

Receivables:

 Accounts

88,452

 Total assets

4,211,170

CURRENT LIABILITIES:

Accounts payable

130,586

Claims payable

772,896

 Total liabilities

903,482

CURRENT NET POSITION:

Unrestricted

\$ 3,307,688

JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

Internal Service -
Employee
Group Health

OPERATING REVENUES:

Reimbursements from operating funds	\$ 5,427,685
Health fees - Employees	<u>664,103</u>
Total operating revenues	<u>6,091,788</u>

OPERATING EXPENSES:

Medical and health services	4,838,345
Accounting, auditing and clerical	886,712
Miscellaneous	<u>101</u>
Total operating expenses	<u>5,725,158</u>

Operating Income	366,630
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NON-OPERATING REVENUES:

Interest income	<u>10,744</u>
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Change in net position	377,374
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<u>NET POSITION</u> - Beginning of year	<u>2,930,314</u>
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<u>NET POSITION</u> - End of year	\$ <u>3,307,688</u>
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JOHNSON COUNTY, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

Internal Service -
 Employee Group
Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from operating fund reimbursements	\$ 5,395,597
Cash received from employees and others	664,103
Cash paid for administrative fees	(869,607)
Cash paid for medical claims and insurance premiums	<u>(4,804,027)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 386,066

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>10,744</u>
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NET INCREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS 396,810

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of year 3,725,908

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of year \$ 4,122,718

RECONCILIATION OF OPERATING INCOME TO NETCASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 366,630
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(32,088)
Increase in accounts payable	17,105
Increase in claims payable	<u>34,419</u>
Net cash provided by operating activities	\$ <u>386,066</u>

JOHNSON COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-AGENCY FUNDSJUNE 30, 2013ASSETS

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 5,330,978
Other County officials	436,700

Receivables:

Accounts receivable	115,574
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Property tax:

Delinquent	182,485
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Succeeding year	192,044,673
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Due from other governments	105,747
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Prepaid expenses	64,254
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TOTAL ASSETS	<u>198,280,411</u>
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LIABILITIES

Accounts payable	197,092
------------------	---------

Salaries and benefits payable	25,031
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Compensated absences	146,896
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Due to other governments	197,736,538
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Trusts payable	174,854
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TOTAL LIABILITIES	<u>198,280,411</u>
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NET ASSETS	\$ <u>-</u>
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JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Johnson County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Johnson County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Johnson County Assessor's Conference Board, Iowa City Assessor's Conference Board, Johnson County Emergency Management Commission, Johnson County Joint E911 Service Board, and Johnson County Council of Governments. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Proprietary Fund

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses – Prepaid expenses represent certain payments to vendors that reflect costs applicable to future accounting periods.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Other capital assets	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	15-40
Improvements	10-40
Infrastructure	20-65
Furnishings and equipment	2-30

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and other receipts that do not meet income recognition criteria.

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund are designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County held no investments as of June 30, 2013.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit Risk – The County's investment policy limits investment in commercial paper and other corporate debt to the top two highest classifications. The County did not invest in any commercial paper or other corporate debt during the year.

Concentration of Credit Risk – The County's investment policy does not allow for a prime bankers acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The County held no such investments during the year.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County did not hold any such investments during the year.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 1,002,611
	Special Revenue: Rural Basic	<u>3,328,246</u>
		<u>4,330,857</u>
Capital Projects	General	<u>8,549,957</u>
Special Revenue: Conservation Trust	Capital Projects	23,394
	General	<u>113,858</u>
		<u>137,252</u>
Special Revenue: Special Resource Enhancement	Capital Projects	<u>54,260</u>
		\$ <u>13,072,326</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,770,898	\$ -	\$ 63,270	\$ 12,707,628
Construction in progress	<u>12,149,801</u>	<u>6,738,271</u>	<u>10,178,333</u>	<u>8,709,739</u>
Total capital assets not being depreciated	<u>24,920,699</u>	<u>6,738,271</u>	<u>10,241,603</u>	<u>21,417,367</u>
Capital assets being depreciated:				
Buildings	38,181,220	865,752	393,919	38,653,053
Improvements other than buildings	60,204	1,028,829	-	1,089,033
Furnishings and equipment	14,241,701	1,154,792	1,145,791	14,250,702
Infrastructure	<u>59,598,105</u>	<u>8,305,937</u>	<u>-</u>	<u>67,904,042</u>
Total capital assets being depreciated	<u>112,081,230</u>	<u>11,355,310</u>	<u>1,539,710</u>	<u>121,896,830</u>
Less accumulated depreciation for:				
Buildings	10,837,082	974,481	309,640	11,501,923
Improvements other than buildings	3,558	28,272	-	31,830
Furnishings and equipment	10,983,123	1,065,846	1,001,271	11,047,698
Infrastructure	<u>28,776,284</u>	<u>2,087,533</u>	<u>-</u>	<u>30,863,817</u>
Total accumulated depreciation	<u>50,600,047</u>	<u>4,156,132</u>	<u>1,310,911</u>	<u>53,445,268</u>
Total capital assets being depreciated, net	<u>61,481,183</u>	<u>7,199,178</u>	<u>228,799</u>	<u>68,451,562</u>
Governmental activities capital assets, net	\$ <u>86,401,882</u>	\$ <u>13,937,449</u>	\$ <u>10,470,402</u>	\$ <u>89,868,929</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 593,138
Physical health and social services	307,238
Mental health	84,031
County environment and education	193,671
Roads and transportation	2,614,023
Governmental services to residents	17,665
Administration	344,499
Non-Program	<u>1,867</u>
Total depreciation expense - governmental activities	\$ <u>4,156,132</u>

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 187,663
Special Revenue:		
Rural Services	Services	14,364
Secondary Roads		1,126
Mental Health		457,559
Capital Projects		52,818
Total for governmental funds		\$ <u>713,530</u>
Agency:		
County Assessor	Collections	\$ 1,450,200
City Assessor		1,097,845
Schools		87,424,131
Community Colleges		6,608,960
Corporations		96,014,173
Townships		861,637
E911 Surcharge		456,850
Auto License and Use Tax		2,551,855
Other		1,270,887
Total for agency funds		\$ <u>197,736,538</u>

NOTE 6: LONG-TERM LIABILITIES

The County issues general obligation bonds to provide funds for the acquisition, improvement, and construction of major capital facilities and for the purchase of technology and related equipment. General obligation bonds have been issued for these types of governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are generally issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. General obligation bonds outstanding at June 30, 2013, are as follows:

General Obligation Bonds

<u>Purpose</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
County Improvements	03/2009	06/2010 - 06/2020	2.00% - 3.85%	\$ 4,100,000	\$ 2,825,000
County Improvements	03/2009	06/2010 - 06/2021	3.00% - 4.00%	11,000,000	8,005,000
County Improvements	03/2009	06/2010 - 06/2016	3.00% - 3.50%	2,200,000	1,015,000
County Improvements	03/2011	06/2011 - 06/2016	0.75% - 2.09%	6,285,000	495,000
County Improvements	11/2012	06/2013 - 06/2015	0.35% - .50%	<u>5,000,000</u>	<u>3,350,000</u>
				\$ <u>28,585,000</u>	\$ <u>15,690,000</u>

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6: LONG-TERM LIABILITIES (Continued)

A summary of the County's June 30, 2013 general obligation bonded indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,345,000	\$ 441,486	\$ 3,786,486
2015	3,465,000	388,542	3,853,542
2016	1,840,000	327,565	2,167,565
2017	1,370,000	267,558	1,637,558
2018	1,430,000	220,608	1,650,608
2019-2021	<u>4,240,000</u>	<u>323,732</u>	<u>4,563,732</u>
Total	\$ <u>15,690,000</u>	\$ <u>1,969,491</u>	\$ <u>17,659,491</u>

During the year ended June 30, 2013, the County issued \$5,000,000 and retired \$4,046,000 general obligation bonds.

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	<u>General Obligation Capital Notes</u>	<u>Net OPEB Liability</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 14,736,000	\$ 1,636,912	\$ 2,796,417	\$ 19,169,329
Increases	5,000,000	106,242	2,901,491	8,007,733
Decreases	<u>4,046,000</u>	<u>-</u>	<u>2,796,417</u>	<u>6,842,417</u>
Balance end of year	\$ <u>15,690,000</u>	\$ <u>1,743,154</u>	\$ <u>2,901,491</u>	\$ <u>20,334,645</u>
Due within one year	\$ <u>3,345,000</u>	\$ <u>-</u>	\$ <u>2,901,491</u>	\$ <u>6,246,491</u>

NOTE 7: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$2,235,527, \$2,141,091, and \$1,780,910, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

Johnson County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8: RISK MANAGEMENT (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$436,454.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. Health benefits were self-insured up to a specific stop loss limitation of \$50,000 and an aggregate annual stop-loss amount of approximately \$6,952,324 for 2013. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop-loss amount.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN (Continued)

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2013 was \$5,427,685.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$772,896 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$3,307,688 at June 30, 2013 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 738,477
Incurred claims (including claims incurred but not reported at June 30, 2013)	4,794,620
Payments:	
Payment on claims during the fiscal year	(4,760,201)
Unpaid claims end of year	\$ <u>772,896</u>

NOTE 10: CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2013, there were three issues of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$3,319,805.

NOTE 11: CONSTRUCTION COMMITMENTS

The County has entered into five contracts totaling \$18,484,844 for building and road construction projects. As of June 30, 2013, costs of \$8,628,286 on the projects have been incurred. The balance remaining on the projects at June 30, 2013, \$9,856,558 will be paid as work on the projects progress.

NOTE 12: LITIGATION

The County Attorney reported that as of June 30, 2013, various claims and lawsuits were on file against the County. The probability of loss, if any, is undeterminable.

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 431 active and 39 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits, are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 226,534
Interest on net OPEB obligation	73,661
Adjustment to annual required contribution	<u>(100,492)</u>
Annual OPEB cost	199,703
Contributions made	<u>(93,461)</u>
Increase in net OPEB obligation	106,242
Net OPEB obligation beginning of year	<u>1,636,912</u>
Net OPEB obligation end of year	\$ <u>1,743,154</u>

For calculation of the net OPEB obligation, the actuary has set the transition date as of July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$93,451 to the medical plan. Plan members eligible for benefits contributed \$223,176 or 68.3% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 440,436	33.25 %	\$ 1,360,072
June 30, 2012	435,617	36.45	1,636,912
June 30, 2013	199,703	46.80	1,743,154

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$2,248,620, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,248,620. The covered payroll (annual payroll of active employees covered by the plan) was \$22,583,570 and the ratio of the UAAL to covered payroll was 9.96%. As of June 30, 2013, there were no trust assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 5.0%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook and applying the termination factors used in Scale T-7.

Projected claim costs of the medical plan are \$479 per month for retirees and \$1,329 per month for retirees electing family coverage. The salary increase rate was assumed to be 3.25% per year. The UAAL is being amortized as a level dollar percentage of projected payroll expense on an open basis over 30 years.

NOTE 14: EARLY CHILDHOOD IOWA AREA BOARD

Johnson County, Iowa is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as an Agency Fund (Empowerment Board) because of the County's fiduciary relationship with the organization. The Area Board's financial data is for the year ended June 30, 2013 is as follows:

	<u>Early Childhood Iowa Area Board</u>			
	<u>Early Childhood Fund</u>	<u>School Ready Fund</u>	<u>Other</u>	<u>Total</u>
Revenues:				
State grants:				
Early childhood	\$ 185,777	\$ -	\$ -	\$ 185,777
Family support & parent education	-	369,609	-	369,609
Preschool support for low-income families	-	162,285	-	162,285
Quality improvement	-	56,287	-	56,287
Allocation for administration	-	20,919	-	20,919
Other grant programs	-	42,510	400	42,910
Total state grants	<u>185,777</u>	<u>651,610</u>	<u>400</u>	<u>837,787</u>
Interest on investments	<u>175</u>	<u>507</u>	<u>-</u>	<u>682</u>
Total revenues	<u>185,952</u>	<u>652,117</u>	<u>400</u>	<u>838,469</u>
Expenditures:				
Program services:				
Early childhood	182,028	-	-	182,028
Family support & parent education	-	358,748	-	358,748
Preschool support for low income families	-	154,375	-	154,375
Quality improvement	-	56,287	-	56,287
Other program services	-	40,325	3,490	43,815
Total program services	<u>182,028</u>	<u>609,735</u>	<u>3,490</u>	<u>795,253</u>
Administration	<u>9,539</u>	<u>15,361</u>	<u>-</u>	<u>24,900</u>
Total expenditures	<u>191,567</u>	<u>625,095</u>	<u>3,490</u>	<u>820,153</u>
Change in fund balances	(5,615)	27,021	(3,090)	18,316
Fund balances – beginning of year	<u>1,758</u>	<u>64,570</u>	<u>4,706</u>	<u>71,034</u>
Fund balances – end of year	\$ <u>(3,857)</u>	\$ <u>91,591</u>	\$ <u>1,616</u>	\$ <u>89,350</u>

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 15: SUBSEQUENT EVENTS

In December 2013, the County issued \$6,750,000 of General Obligation County Purpose Bonds, Series 2013A, a short-term 90 day issue to acquire computer equipment and software to be used in County buildings, and for various County insurance programs. The Series 2013A was repaid on March 1, 2014 for \$6,754,219. Additionally, in December 2013, the County issued \$3,150,000 of General Obligation County Purpose Bonds, Series 2013B, a three year issue to be used to improve County roads and bridges, along with acquiring computer equipment and software to be used in County buildings.

On January 23, 2014, the Board of Supervisors approved a construction contract in the amount of \$3,930,000 for the construction of the Secondary Roads Replacement Facility Project.

Subsequent events have been evaluated through March 20, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

JOHNSON COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Fund Types	Budgeted Amounts		Final to Actual Variance
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other County tax	\$ 43,992,295	\$ 44,025,159	\$ 44,025,159	\$ (32,864)
Interest and penalty on property tax	376,692	431,000	431,000	(54,308)
Intergovernmental	17,642,382	25,126,409	26,967,704	(9,325,322)
Licenses and permits	679,431	506,985	507,185	172,246
Charges for service	4,133,559	3,803,230	3,903,131	230,428
Use of money and property	275,043	158,725	158,725	116,318
Miscellaneous	<u>1,111,842</u>	<u>940,262</u>	<u>951,682</u>	<u>160,160</u>
Total receipts	<u>68,211,244</u>	<u>74,991,770</u>	<u>76,944,586</u>	<u>(8,733,342)</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	19,647,446	21,922,873	21,587,958	1,940,512
Physical health and social services	8,297,650	8,609,285	9,001,933	704,283
Mental health	7,686,479	14,039,460	14,046,183	6,359,704
County environment and education	3,450,285	3,565,692	3,626,305	176,020
Roads and transportation	8,654,877	8,400,949	8,801,992	147,115
Governmental services to residents	2,456,568	2,418,888	2,605,463	148,895
Administration	7,082,947	7,615,331	7,738,933	655,986
Non-program	3,000	3,000	3,000	-
Debt service	4,537,316	4,701,920	4,701,920	164,604
Capital projects	<u>7,053,776</u>	<u>12,931,175</u>	<u>12,978,529</u>	<u>5,924,753</u>
Total disbursements	<u>68,870,344</u>	<u>84,208,573</u>	<u>85,092,216</u>	<u>16,221,872</u>
Excess (deficiency) of receipts over (under) disbursements	(659,100)	(9,216,803)	(8,147,630)	7,488,530
Other financing sources, (net)	<u>5,015,087</u>	<u>5,212,800</u>	<u>5,212,800</u>	<u>(197,713)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,355,987	(4,004,003)	(2,934,830)	7,290,817
<u>BALANCE - Beginning of year</u>	<u>25,271,447</u>	<u>23,384,636</u>	<u>25,271,447</u>	<u>-</u>
<u>BALANCE - End of year</u>	<u>\$ 29,627,434</u>	<u>\$ 19,380,633</u>	<u>\$ 22,336,617</u>	<u>\$ 7,290,817</u>

JOHNSON COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 68,211,244	\$ 1,470,192	\$ 69,681,436
Expenditures	<u>68,870,344</u>	<u>(2,323,016)</u>	<u>66,547,328</u>
Net	(659,100)	3,793,208	3,134,108
Other financing sources, net	5,015,087	100	5,015,187
Beginning fund balance	<u>25,271,447</u>	<u>(2,957,316)</u>	<u>22,314,131</u>
Ending fund balance	\$ <u>29,627,434</u>	\$ <u>835,992</u>	\$ <u>30,463,426</u>

JOHNSON COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$883,643. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted.

SUPPLEMENTARY INFORMATION

JOHNSON COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR
THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2009	July 1, 2008	\$ -	\$ 7,697,775	\$ 7,697,775	0.00%	\$ 19,902,352	38.70%
2010	July 1, 2008	\$ -	\$ 7,697,775	\$ 7,697,775	0.00%	\$ 21,279,121	36.18%
2011	July 1, 2010	\$ -	\$ 4,216,188	\$ 4,216,188	0.00%	\$ 21,084,632	20.00%
2012	July 1, 2010	\$ -	\$ 4,216,188	\$ 4,216,188	0.00%	\$ 21,769,883	19.37%
2013	July 1, 2012	\$ -	\$ 2,248,620	\$ 2,248,620	0.00%	\$ 22,583,570	9.96%

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

JOHNSON COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Road Construction <u>Escrow</u>	Law Enforcement <u>Proceeds</u>	Special Resource <u>Enhancement</u>	Prosecutor Forfeiture <u>Proceeds</u>
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments	\$ 3,409,008	\$ 18,976	\$ 349,369	\$ 21,379
Receivables:				
Accrued interest	198	-	-	-
Due from other governments	-	-	-	8,854
Prepaid expenses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>3,409,206</u>	\$ <u>18,976</u>	\$ <u>349,369</u>	\$ <u>30,233</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ -	\$ 4,543	\$ 46,343	\$ 240
Total liabilities	<hr/> -	<hr/> 4,543	<hr/> 46,343	<hr/> 240
<u>FUND BALANCES:</u>				
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	14,433	303,026	29,993
Assigned	<u>3,409,206</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,409,206</u>	<u>14,433</u>	<u>303,026</u>	<u>29,993</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,409,206</u>	\$ <u>18,976</u>	\$ <u>349,369</u>	\$ <u>30,233</u>

<u>Conservation Trust</u>	<u>Historical Preservation</u>	<u>Recorder's Records Management</u>	<u>Ambulance Fund</u>	<u>Courthouse Centenary Fund</u>	<u>Total</u>
\$ 310,936	\$ 1,569	\$ 69,188	\$ 3,085	\$ 3,323	\$ 4,186,833
-	-	-	-	-	198
-	-	-	-	-	8,854
-	-	2,319	-	-	2,319
<u>\$ 310,936</u>	<u>\$ 1,569</u>	<u>\$ 71,507</u>	<u>\$ 3,085</u>	<u>\$ 3,323</u>	<u>\$ 4,198,204</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,126
-	-	-	-	-	51,126
-	-	2,319	-	-	2,319
310,936	1,569	69,188	3,085	3,323	735,553
-	-	-	-	-	3,409,206
<u>310,936</u>	<u>1,569</u>	<u>71,507</u>	<u>3,085</u>	<u>3,323</u>	<u>4,147,078</u>
<u>\$ 310,936</u>	<u>\$ 1,569</u>	<u>\$ 71,507</u>	<u>\$ 3,085</u>	<u>\$ 3,323</u>	<u>\$ 4,198,204</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Road Construction Escrow</u>	<u>Law Enforcement Proceeds</u>	<u>Special Resource Enhancement</u>	<u>Prosecutor Forfeiture Proceeds</u>
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 30,839	\$ 84,464	\$ -
Charges for service	-	-	-	-
Use of money and property	13,210	194	1,070	-
Miscellaneous	-	-	-	19,036
Total revenues	<u>13,210</u>	<u>31,033</u>	<u>85,534</u>	<u>19,036</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	-	129,694	-	4,017
Governmental services to residents	-	-	-	-
Capital projects	-	-	297,858	-
Total expenditures	<u>-</u>	<u>129,694</u>	<u>297,858</u>	<u>4,017</u>
Excess (deficiency) of revenues over (under) expenditures	13,210	(98,661)	(212,324)	15,019
Other financing sources:				
Operating transfers in	<u>-</u>	<u>-</u>	<u>54,260</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	13,210	(98,661)	(158,064)	15,019
<u>FUND BALANCES</u> - Beginning of year	<u>3,395,996</u>	<u>113,094</u>	<u>461,090</u>	<u>14,974</u>
<u>FUND BALANCES</u> - End of year	\$ <u>3,409,206</u>	\$ <u>14,433</u>	\$ <u>303,026</u>	\$ <u>29,993</u>

<u>Conservation Trust</u>	<u>Historical Preservation</u>	<u>Recorder's Records Management</u>	<u>Ambulance Fund</u>	<u>Courthouse Centenary Fund</u>	<u>Total</u>
\$ 25,768	\$ -	\$ -	\$ -	\$ -	\$ 141,071
-	-	37,428	-	-	37,428
530	-	214	6	8	15,232
<u>2,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,925</u>
<u>29,187</u>	<u>-</u>	<u>37,642</u>	<u>6</u>	<u>8</u>	<u>215,656</u>
-	-	-	-	-	133,711
-	-	70,591	-	-	70,591
<u>53,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,285</u>
<u>53,427</u>	<u>-</u>	<u>70,591</u>	<u>-</u>	<u>-</u>	<u>555,587</u>
(24,240)	-	(32,949)	6	8	(339,931)
<u>137,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,512</u>
113,012	-	(32,949)	6	8	(148,419)
<u>197,924</u>	<u>1,569</u>	<u>104,456</u>	<u>3,079</u>	<u>3,315</u>	<u>4,295,497</u>
\$ <u>310,936</u>	\$ <u>1,569</u>	\$ <u>71,507</u>	\$ <u>3,085</u>	\$ <u>3,323</u>	\$ <u>4,147,078</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

<u>ASSETS</u>	<u>County Offices</u>		<u>Agricultural Extension</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ -	\$ -	\$ 2,426
Other County officials	181,336	255,364	-
Receivables:			
Accounts receivable	7,506	-	-
Property tax:			
Delinquent	-	-	616
Succeeding year	-	-	490,572
Due from other governments	-	-	-
Prepaid expenses	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>188,842</u>	\$ <u>255,364</u>	\$ <u>493,614</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-
Compensated absences	-	-	-
Due to other governments	188,842	155,339	493,614
Trusts payable	-	100,025	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	\$ <u>188,842</u>	\$ <u>255,364</u>	\$ <u>493,614</u>

<u>County Assessor</u>	<u>City Assessor</u>	<u>Emergency Management</u>	<u>State Levies</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ 725,808	\$ 396,728	\$ 60,712	\$ 98	\$ 436,212	\$ 32,668
-	-	-	-	-	-
-	-	3,647	-	-	-
1,895	460	-	-	108,099	8,167
803,896	769,757	-	125,574	86,879,820	6,568,125
-	-	62,346	-	-	-
<u>10,718</u>	<u>5,326</u>	<u>11,551</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>1,542,317</u>	\$ <u>1,172,271</u>	\$ <u>138,256</u>	\$ <u>125,672</u>	\$ <u>87,424,131</u>	\$ <u>6,608,960</u>
\$ 4,817	\$ 959	\$ 127,096	\$ -	\$ -	\$ -
12,487	9,909	2,635	-	-	-
74,813	63,558	8,525	-	-	-
1,450,200	1,097,845	-	125,672	87,424,131	6,608,960
-	-	-	-	-	-
\$ <u>1,542,317</u>	\$ <u>1,172,271</u>	\$ <u>138,256</u>	\$ <u>125,672</u>	\$ <u>87,424,131</u>	\$ <u>6,608,960</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2013

	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 399,583	\$ 6,050	\$ 10,162
Other County officials	-	-	-
Receivables:			
Accounts receivable	-	-	64,667
Property tax:			
Delinquent	61,794	1,454	-
Succeeding year	95,552,796	854,133	-
Due from other governments	-	-	-
Prepaid expenses	-	-	-
TOTAL ASSETS	\$ <u>96,014,173</u>	\$ <u>861,637</u>	\$ <u>74,829</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-
Compensated absences	-	-	-
Due to other governments	96,014,173	861,637	-
Trusts payable	-	-	74,829
TOTAL LIABILITIES	\$ <u>96,014,173</u>	\$ <u>861,637</u>	\$ <u>74,829</u>

Schedule 3
(Continued)

<u>E911 Surcharge</u>	<u>Auto License and Use Tax</u>	<u>Empowerment Board</u>	<u>Tax Sales</u>	<u>Total</u>
\$ 342,537	\$ 2,551,855	\$ 89,350	\$ 276,789	\$ 5,330,978
-	-	-	-	436,700
39,754	-	-	-	115,574
-	-	-	-	182,485
-	-	-	-	192,044,673
43,401	-	-	-	105,747
<u>36,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,254</u>
\$ <u>462,351</u>	\$ <u>2,551,855</u>	\$ <u>89,350</u>	\$ <u>276,789</u>	\$ <u>198,280,411</u>
\$ 5,501	\$ -	\$ 58,719	\$ -	\$ 197,092
-	-	-	-	25,031
-	-	-	-	146,896
456,850	2,551,855	30,631	276,789	197,736,538
-	-	-	-	174,854
\$ <u>462,351</u>	\$ <u>2,551,855</u>	\$ <u>89,350</u>	\$ <u>276,789</u>	\$ <u>198,280,411</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2013

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>		
	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>
Balances beginning of year	\$ <u> -</u>	\$ <u> 186,532 </u>	\$ <u> 386,216 </u>
Additions:			
Property and other County tax and state tax credits	-	-	-
E911 surcharge	-	-	-
Office fees and collections	32,538	2,746,462	861,389
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	3,019,732
Miscellaneous	-	-	-
Total additions	<u> 32,538 </u>	<u> 2,746,462 </u>	<u> 3,881,121 </u>
Deductions:			
Agency remittances:			
To other funds	32,538	1,186,192	827,822
To other governments	-	1,557,960	90,156
Trusts paid out	-	-	3,093,995
Total deductions	<u> 32,538 </u>	<u> 2,744,152 </u>	<u> 4,011,973 </u>
Balances end of year	\$ <u> -</u>	\$ <u> 188,842 </u>	\$ <u> 255,364 </u>

Schedule 4

<u>Agriculture Extension</u>	<u>County Assessor</u>	<u>City Assessor</u>	<u>Emergency Management</u>	<u>State Levies</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ 478,699	\$ 1,874,942	\$ 1,089,818	\$ 129,031	\$ 99,649	\$ 86,481,671	\$ 6,483,550
500,475	866,725	786,071	3,706,898	125,947	88,632,700	6,700,078
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>500,475</u>	<u>866,725</u>	<u>786,071</u>	<u>3,706,898</u>	<u>125,947</u>	<u>88,632,700</u>	<u>6,700,078</u>
-	-	-	-	-	-	-
485,560	1,199,350	703,618	3,697,673	99,924	87,690,240	6,574,668
-	-	-	-	-	-	-
<u>485,560</u>	<u>1,199,350</u>	<u>703,618</u>	<u>3,697,673</u>	<u>99,924</u>	<u>87,690,240</u>	<u>6,574,668</u>
\$ 493,614	\$ 1,542,317	\$ 1,172,271	\$ 138,256	\$ 125,672	\$ 87,424,131	\$ 6,608,960

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

<u>ASSETS AND LIABILITIES</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>
Balances beginning of year	\$ <u>94,420,726</u>	\$ <u>823,250</u>	\$ <u>16,577</u>
Additions:			
Property and other County tax and state tax credits	96,814,526	876,658	-
E911 surcharge	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	167,652
Miscellaneous	-	-	-
Total additions	<u>96,814,526</u>	<u>876,658</u>	<u>167,652</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	95,221,079	838,271	-
Trusts paid out	-	-	109,400
Total deductions	<u>95,221,079</u>	<u>838,271</u>	<u>109,400</u>
Balances end of year	\$ <u>96,014,173</u>	\$ <u>861,637</u>	\$ <u>74,829</u>

Schedule 4
(Continued)

<u>E911 Surcharge</u>	<u>Auto License and Use Tax</u>	<u>Empowerment Board</u>	<u>Tax Sales</u>	<u>Flood Control</u>	<u>Total</u>
\$ <u>471,684</u>	\$ <u>2,479,874</u>	\$ <u>71,034</u>	\$ <u>273,599</u>	\$ <u>-</u>	\$ <u>195,766,852</u>
-	-	-	-	-	199,010,078
400,997	-	-	-	-	400,997
-	-	-	-	-	3,640,389
-	31,087,917	-	-	-	31,087,917
-	-	-	-	-	3,187,384
-	-	838,469	1,537,630	77,116	2,453,215
<u>400,997</u>	<u>31,087,917</u>	<u>838,469</u>	<u>1,537,630</u>	<u>77,116</u>	<u>239,779,980</u>
-	-	-	-	77,116	2,123,668
410,330	31,015,936	820,153	1,534,440	-	231,939,358
-	-	-	-	-	3,203,395
<u>410,330</u>	<u>31,015,936</u>	<u>820,153</u>	<u>1,534,440</u>	<u>77,116</u>	<u>237,266,421</u>
\$ <u>462,351</u>	\$ <u>2,551,855</u>	\$ <u>89,350</u>	\$ <u>276,789</u>	\$ <u>-</u>	\$ <u>198,280,411</u>

JOHNSON COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>REVENUES:</u>				
Property and other County tax	\$ 43,994,487	\$ 43,064,225	\$ 42,807,106	\$ 41,076,815
Interest and penalty on property tax	346,337	566,085	395,959	490,122
Intergovernmental	18,001,226	24,161,443	20,933,586	21,216,527
Licenses and permits	676,912	579,650	505,578	489,658
Charges for service	4,155,377	4,068,724	3,785,002	3,581,173
Use of money and property	274,123	280,324	334,429	465,921
Miscellaneous	<u>2,232,974</u>	<u>2,128,204</u>	<u>777,200</u>	<u>1,019,237</u>
Total revenues	\$ <u>69,681,436</u>	\$ <u>74,848,655</u>	\$ <u>69,538,860</u>	\$ <u>68,339,453</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	\$ 19,651,404	\$ 19,266,352	\$ 19,737,412	\$ 25,319,933
Physical health and social services	8,349,705	8,046,818	8,121,773	8,498,353
Mental health	6,419,857	12,999,800	12,743,965	11,375,172
County environment and education	3,530,073	3,321,442	3,230,084	3,244,086
Roads and transportation	8,735,455	7,592,330	7,212,691	7,129,285
Governmental services to residents	2,450,684	1,932,431	1,892,552	1,934,739
Administration	7,141,290	6,803,964	6,564,119	6,465,719
Non-program	3,160	3,005	5,400	978
Debt service	4,537,316	3,926,300	8,007,726	6,382,036
Capital projects	<u>5,728,384</u>	<u>7,716,047</u>	<u>9,814,804</u>	<u>6,935,520</u>
Total expenditures	\$ <u>66,547,328</u>	\$ <u>71,608,489</u>	\$ <u>77,330,526</u>	\$ <u>77,285,821</u>

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 39,070,345	\$ 32,672,807	\$ 29,433,991	\$ 27,085,150	\$ 25,643,264	\$ 24,596,847
324,254	432,445	374,642	375,395	278,470	311,322
21,999,336	22,164,502	19,528,390	17,668,730	16,583,058	15,628,260
490,984	596,826	404,730	528,659	478,236	424,448
3,480,681	3,250,980	3,031,430	3,035,389	2,913,707	3,138,414
673,363	1,354,192	1,655,734	1,185,885	734,308	379,088
<u>780,778</u>	<u>560,066</u>	<u>1,133,246</u>	<u>885,704</u>	<u>505,562</u>	<u>370,696</u>
<u>\$ 66,819,741</u>	<u>\$ 61,031,818</u>	<u>\$ 55,562,163</u>	<u>\$ 50,764,912</u>	<u>\$ 47,136,605</u>	<u>\$ 44,849,075</u>
\$ 25,195,898	\$ 14,341,229	\$ 13,282,979	\$ 12,797,233	\$ 11,941,799	\$ 11,111,743
7,686,737	7,541,627	7,371,545	7,132,324	6,332,194	6,368,969
12,068,767	13,027,696	12,390,697	10,712,349	10,140,316	9,529,981
2,991,567	2,791,688	2,686,185	2,461,700	2,325,169	2,183,913
7,590,893	7,884,688	6,291,001	5,957,011	5,838,452	5,504,698
2,051,121	1,881,126	1,846,463	1,716,886	1,722,204	1,602,117
6,264,547	5,803,518	5,959,893	5,374,237	5,168,099	4,705,144
2,320	2,400	-	600	600	11,816
5,115,773	792,902	811,802	-	3,995,146	3,617,328
<u>15,657,116</u>	<u>8,312,991</u>	<u>3,310,759</u>	<u>6,491,702</u>	<u>1,449,068</u>	<u>2,411,700</u>
<u>\$ 84,624,739</u>	<u>\$ 62,379,865</u>	<u>\$ 53,951,324</u>	<u>\$ 52,644,042</u>	<u>\$ 48,913,047</u>	<u>\$ 47,047,409</u>

JOHNSON COUNTY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<u>DIRECT:</u>		
Department of the Interior:		
Payments in Lieu of Taxes	15.226	\$ 58,725
Department of Justice:		
State Criminal Alien Assistance Program	16.606	43,833
Public Safety Partnership and Community Policing Grants	16.710	29,410
Total Direct		<u>131,968</u>
<u>INDIRECT:</u>		
Department of Agriculture:		
Iowa Department of Human Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	43,365
Iowa Department of Public Health:		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	519,216
Department of Defense:		
Iowa Treasurer of State:		
Payments to States in Lieu of Real Estate Taxes	12.112	102,822
Department of Energy:		
Iowa Economic Development Authority:		
State Energy Program	81.041	64,422
Department of Health and Human Services:		
Iowa Department of Human Services:		
Child Care and Development Block Grant	93.575	184,453
Promoting Safe and Stable Families	93.556	34,780
Refugee and Entrant Assistance - State Administered Programs	93.566	199
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,015
Foster Care - Title IV-E	93.658	15,093
Adoption Assistance	93.659	4,210
Social Services Block Grant	93.667	13,114
Children's Health Insurance Program	93.767	165
Medical Assistance Program	93.778	43,182
Iowa Department of Public Health:		
Public Health Emergency Preparedness	93.069	101,494
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	4,778
Immunization Cooperative Agreements	93.268	15,500

JOHNSON COUNTY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<u>INDIRECT:</u> (Continued)		
Department of Health and Human Services: (Continued)		
Iowa Department of Public Health: (Continued)		
Community Transformation Grants and National		
Dissemination and Support for Community Transformation Grants	93.531	89,991
HIV Prevention Activities - Health Department Based	93.940	19,689
Maternal and Child Health Services Block Grant to the States	93.994	68,547
National Association of County and City Health Officials:		
Medical Reserve Corps Small Grant Program	93.008	4,000
Department of Homeland Security:		
Iowa Homeland Security and Emergency Management:		
Disaster Grants - Public Assistance (Presidentially Declared		
Disasters)	97.036	1,237,625
Hazard Mitigation Grant	97.039	175,527
Emergency Management Performance Grants	97.042	39,000
Homeland Security Grant Program	97.067	4,393
United Way of America:		
Emergency Food and Shelter National Board Program	97.024	1,000
Department of Justice:		
City of Iowa City:		
Public Safety Partnership and Community Policing Grants	16.710	2,341
Edward Byrne Memorial Justice Assistance Grant		
(JAG) Program/Grants to States and Territories - ARRA	16.803	46,383
Department of Transportation:		
East Central Iowa Council of Governments:		
Formula Grants for Other Than Urbanized Areas	20.509	36,423
Iowa Department of Public Safety:		
State and Community Highway Safety	20.600	18,717
Iowa Homeland Security and Emergency Management:		
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2,250
Department of Interior:		
Silos and Smokestacks National Heritage Area:		
National Heritage Area Federal Financial Assistance	15.939	2,460
Department of the Treasury:		
Iowans for Social and Economic Development:		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	2,987
Total Indirect		<u>2,908,141</u>
Total		<u>\$ 3,040,109</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Johnson County, Iowa and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERS MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials of Johnson County, Iowa:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Johnson County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Johnson County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Johnson County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Johnson County, Iowa's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Johnson County, Iowa's Responses to Findings

Johnson County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Johnson County, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report, is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Johnson County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 20, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

To the Officials of Johnson County, Iowa

Report on Compliance for Each Major Federal Program

We have audited Johnson County, Iowa's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Johnson County, Iowa's major federal programs for the year ended June 30, 2013. Johnson County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Johnson County, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Johnson County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Johnson County, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, Johnson County, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Johnson County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Johnson County, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Johnson County, Iowa's internal control over compliance.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 20, 2014

JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results

- a. Unmodified opinions were issued on the financial statements.
- b. No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Numbers:
 - 10.557 Special Supplemental Nutrition Program for Woman, Infants and Children
 - 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Johnson County, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting

- 13-IV-A Certified Budget – Disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted
- 13-IV-B Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 13-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 13-IV-D Business Transactions – No business transactions between the County and County officials or employees were noted.
- 13-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 13-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, in accordance with Code of Iowa Chapter 349.18, minutes are required to be published within one week following approval. The minutes for the meeting held April 25, 2013 was not published within one week of approval.

Recommendation – The Board of Supervisors should ensure all minutes are published to comply with Chapter 349.18 of the Code of Iowa.

Response – We will do so from now on.

Conclusion – Response accepted.

- 13-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 13-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 13-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

- 13-IV-J Early Childhood Iowa Area Board – Johnson County, Iowa is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.